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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY  
EDUCATION EXPENSE BOARD,

*Petitioner,*

v.

COLLEGE SAVINGS BANK and  
UNITED STATES OF AMERICA,

*Respondents.*

*On Writ of Certiorari to the  
United States Court of Appeals for the Federal Circuit*

**BRIEF FOR RESPONDENT  
COLLEGE SAVINGS BANK**

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**COUNTERSTATEMENT OF  
QUESTION PRESENTED**

Does Congress have constitutional authority under § 5 of the Fourteenth Amendment to abrogate the Eleventh Amendment immunity of the states to prevent the states from depriving patent owners of their patent property without due process of law and just compensation by enacting legislation that provides patent owners with a remedy in the form of an action for patent infringement against the states in the federal courts under § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), 35 U.S.C. §§ 271(h) and 296?

## STATEMENT OF INTERESTED PARTIES

The interested parties are identified correctly in the "Statement of Interested Parties" that appears at page ii of Petitioner Florida Prepaid Postsecondary Education Expense Board's "Brief for Petitioner."

Respondent College Savings Bank does not have a parent corporation and has one wholly-owned subsidiary known as College Savings Trust located in Helena, Montana.

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## COUNTERSTATEMENT OF THE CASE

### A. Background

Respondent College Savings Bank ("CSB") is a savings bank located in and chartered by the State of New Jersey. Since 1987, CSB has been engaged in the business of selling a certificate of deposit contract known as the "CollegeSure® CD." The CollegeSure® CD is unique, in part because the return on the contract is linked to the rate of inflation of the costs associated with attending college. CSB agrees to provide purchasers of the CollegeSure® CD a return guaranteed to be sufficient to fund the uncertain future cost of a college education. CSB administers the CollegeSure® CD program and satisfies its obligations to purchasers using apparatus and methods described and claimed in CSB's United States Patent No. 4,722,055 (the "'055 patent"). CSB's '055 patent describes and claims data processing methods and apparatus for implementing and administering an insurance investment program that provides a return adequate to pay the cost of a college education in return for a present investment determined on the basis of current college cost data and projections about the rate of increase of college costs. Pet. App. A at 2a; Pet. App. B at 28a-29a.

Petitioner Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid") is an entity created by statute to manage and operate the Florida Prepaid Postsecondary Education Expense Program. Fla. Stat. § 240.551 (1998). Florida Prepaid (like CSB) enters into contracts in which it agrees to provide its customers a return guaranteed to be sufficient to pay the uncertain costs of college at specified future dates. Pet. App. A at 2a. Pet. App. B at 28a-29a. Florida Prepaid began practicing the inventions claimed in CSB's '055 patent in September 1988 — after CSB's patent issued. Pet. App. B at 29a. Florida Prepaid does not restrict participation in its program to purchasers in the State of Florida — it enters into prepaid college tuition contracts with purchasers throughout the United States. March 9, 1995 Declaration of P.A. Roberts, Exhibit 3, p. 9. Florida Prepaid employs a number of private concerns to administer and market its program, including First Union National Bank, Coopers & Lybrand, Ernst & Young, U.S. Trust Company, InTuition Solutions, NationsBank, Watson Wyatt Investment Consulting, Shields/Alliance, T. Rowe Price Associates and others.



CSB commenced this action for patent infringement against Florida Prepaid on November 7, 1994 pursuant to § 2 of the Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992); 35 U.S.C. §§ 271(h) and 296 ("Patent Remedy Act"), which expressly abrogates the Eleventh Amendment immunity of the states and makes them amenable to patent infringement actions in the federal courts. CSB believes that Florida Prepaid uses CSB's patented methods and apparatus to administer the Florida Prepaid Postsecondary Education Expense Program and the college prepayment contracts that Florida Prepaid enters into with purchasers across the United States. CSB brought this action in the United States District Court for the District of New Jersey because Florida Prepaid enters into prepaid college tuition contracts with New Jersey citizens. Florida Prepaid never has denied that it contracts with citizens of states other than the State of Florida.

On February 15, 1995, Florida Prepaid, alleging *forum non conveniens*, moved under 28 U.S.C. § 1404(a) to transfer this action from the District Court in New Jersey to the United States District Court for the Northern District of Florida. The District Court denied Florida Prepaid's transfer motion on May 4, 1995.<sup>1</sup>

On May 16, 1995, Florida Prepaid answered CSB's Complaint and filed a Counterclaim invoking the jurisdiction of the District Court under 28 U.S.C. §§ 1338(a), 2201 and 2202. Florida Prepaid's counterclaim affirmatively seeks an injunction against CSB and a judgment declaring that Florida Prepaid does not infringe CSB's '055 patent, and that the '055 patent is invalid and unenforceable. Pet. App. B at 31a.

On March 27, 1996, the Court handed down its decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), affirming the 1994 holding of the United States Court of Appeals for the Eleventh Circuit that the Indian Commerce Clause of the Constitution (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate

1. It is notable that Florida Prepaid chose not to move to dismiss at that time on grounds of Eleventh Amendment immunity even though Florida had successfully asserted Eleventh Amendment immunity one year before in *Seminole Tribe of Florida v. Florida*, 11 F.3d 1016 (11th Cir. 1994), *aff'd*, 517 U.S. 44 (1996).

the states' Eleventh Amendment immunity from suit in the federal courts. *Seminole Tribe*, 517 U.S. at 76. *Seminole Tribe* also overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), and held that the Interstate Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the states' Eleventh Amendment immunity. *Seminole Tribe*, 517 U.S. at 66.

*Seminole Tribe* did not implicate the Fourteenth Amendment.<sup>2</sup> The Court of Appeals for the Eleventh Circuit held, and this Court affirmed, that the statute at issue in *Seminole Tribe*, the Indian Gaming Regulatory Act, "creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Seminole Tribe*, 11 F.3d at 1025 (emphasis added). *Seminole Tribe* did not alter the Court's prior holding in *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) that § 5 of the Fourteenth Amendment *does* authorize Congress to abrogate the state's Eleventh Amendment immunity and enact legislation designed to enforce the substantive provisions of the Fourteenth Amendment. *Seminole Tribe*, 517 U.S. at 59. *Fitzpatrick* held:

[We] think that the Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment. In that section Congress is expressly granted authority to enforce "by appropriate legislation" the substantive provisions of the Fourteenth Amendment, which themselves embody significant limitations on state authority. When Congress acts pursuant to § 5, not only is it exercising legislative authority that is plenary within the terms of the constitutional grant, it is exercising that authority under one section of a constitutional Amendment whose other sections by their own terms embody limitations on state

2. In the District Court, Florida Prepaid contended that the Eleventh Circuit held in *Seminole Tribe* "that neither the Commerce Clause, the Fourteenth Amendment, nor the Indian Commerce Clause granted Congress the authority to abrogate sovereign immunity." Florida Prepaid's April 26, 1996 Memorandum of Law in Support of its Motion to Dismiss, p. 4. The District Court rejected Florida Prepaid's contention and observed that the Eleventh Circuit actually found that the statute in question in *Seminole Tribe* did not implicate the Fourteenth Amendment. Pet. App. B at 36a n.4.

authority. We think that Congress may, in determining what is "appropriate legislation" for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.

*Fitzpatrick*, 427 U.S. at 456 (citations and footnote omitted).

The holding in *Seminole Tribe* that the Interstate Commerce Clause does not authorize Congress to abrogate the states' Eleventh Amendment immunity does not apply when Congress exercises its authority under the Fourteenth Amendment and enacts legislation that abrogates the states' immunity from suit:

*Fitzpatrick* was based upon a rationale wholly inapplicable to the Interstate Commerce Clause, viz., that the Fourteenth Amendment, adopted well after the adoption of the Eleventh Amendment and the ratification of the Constitution, operated to alter the pre-existing balance between state and federal power achieved by Article III and the Eleventh Amendment.

*Seminole Tribe*, 517 U.S. at 65-66.

#### B. The District Court's Decision

On May 14, 1996, a year and a half into this lawsuit, Florida Prepaid moved to dismiss CSB's patent infringement action, asserting that the Patent Remedy Act is unconstitutional under *Seminole Tribe*, and that Florida Prepaid is immune under the Eleventh Amendment from suit in the federal courts for patent infringement. The District Court denied Florida Prepaid's motion to dismiss on December 13, 1996, holding that patents are property and that § 5 of the Fourteenth Amendment authorizes the legislation Congress enacted to prevent the states from depriving patent owners of their property without due process of law and just compensation:

"That a patent is property, protected against appropriation both by individuals and by government, has long been settled." *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415, 65 S. Ct. 373, 387, 89 L. Ed. 322 (1945).

\* \* \*

In sum, a patent is "property" for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act. Moreover, Congress has the power to enforce all of the provisions of the Fourteenth Amendment, including the Due Process Clause. It necessarily follows, therefore, that Congress may, pursuant to Section 5 of the Fourteenth Amendment, enact appropriate legislation to make states amenable to suit in federal court for allegedly depriving patentees of their patent property without compensation and without due process of law.

Pet. App. B at 79a, 85a-86a.

The District Court rejected Florida Prepaid's argument that "the Fourteenth Amendment can only be used to remedy 'insidious discrimination.'" Pet. App. B at 81a-86a. The District Court stated that the "language of the [Fourteenth] Amendment reaches far beyond" remedying "the kind of 'insidious discrimination' against the newly-freed slaves that prompted its adoption," and observed that "the Supreme Court has repeatedly applied it, according to its terms, outside the context of civil rights." Pet. App. B at 81a.

#### C. The Federal Circuit's Decision

Florida Prepaid appealed from the District Court's decision on February 11, 1997, asserting again that Congress' authority under § 5 of the Fourteenth Amendment is limited to the enactment of legislation prohibiting discrimination, and that legislation enacted to enforce the provisions of the Due Process Clause (such as the Patent Remedy Act), is unconstitutional:

Because the Fourteenth Amendment has always, since its adoption, been deemed to grant Congress power to abrogate states' sovereign immunity only when enacting legislation to remedy pervasive and invidious discrimination, legislation having a different aim is constitutionally flawed.

July 14, 1997 Brief for Appellant Florida Prepaid Postsecondary Education Expense Board, p. 6 (emphasis in original).



The Court of Appeals for the Federal Circuit ("Federal Circuit") denied Florida Prepaid's appeal on June 30, 1998. In response to Florida Prepaid's argument that Congress' authority under § 5 of the Fourteenth Amendment is confined to legislation enforcing the Equal Protection Clause and prohibiting discrimination, the Federal Circuit acknowledged that it is undeniable that the Civil War Amendments were adopted to remedy state-sponsored racial discrimination, but noted that:

Equally undeniably, the Supreme Court has enforced the Due Process Clause of the Fourteenth Amendment against the states and has read it expansively to prohibit state actions wholly unrelated to discrimination of any sort. Florida Prepaid cites no authority forbidding Congress from enacting statutes that abrogate state immunity in order to protect persons from property deprivations without due process of law. Surely the enforcement power of Congress under section 5 must embrace the full range of behavior that the Supreme Court has held to violate the substantive provisions in section 1 of the Amendment. We therefore reject the proposition that congressional authority under section 5 is restricted to only a certain provision of the Fourteenth Amendment, namely the Equal Protection Clause.

Pet. App. A at 11a-12a (citations omitted).

Florida Prepaid also argued on appeal that the Fourteenth Amendment does not authorize Congress to abrogate the states' Eleventh Amendment immunity and provide patent owners with a remedy for state-sponsored patent infringement because: (1) patents are property created by a federal statute Congress promulgated in an exercise of its authority under Article I of the Constitution; and (2) this Court's decision in *Seminole Tribe* held that Article I does not authorize Congress to abrogate the states' Eleventh Amendment immunity. The Federal Circuit articulated and rejected Florida Prepaid's argument as follows:

Florida Prepaid next argues that the objective of the Patent Remedy Act is impermissible because, if we were to allow it, Congress would be able to abrogate state

sovereign immunity pursuant to its Article I power, which is the exact result that the Supreme Court proscribed in *Seminole Tribe*. This is because the "property" protected by Congress under the Fourteenth Amendment, in this case a patent, is federally created property under Title 35 of the U.S. Code. Florida Prepaid asserts that, just as Congress created the patent system, it could ostensibly choose to create any sort of property using its Article I powers, and then, argues Florida Prepaid, abrogate the states' immunity to suit for the deprivation of that property. . . .

. . . .

. . . [B]ecause the Fourteenth Amendment was enacted subsequent to the Eleventh Amendment, unlike Article I, it expressly qualified the principle of sovereign immunity. . . . When the states adopted the Fourteenth Amendment and consented to cede a portion of their authority to the federal government, it was within their contemplation that they limited their Eleventh Amendment immunity. *Fitzpatrick* teaches so, and we adhere to its reasoning.

\* \* \*

[S]uch central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states. . . . To claim that patents do not warrant protection is tantamount to asserting that Congress may not, under any circumstance, abrogate the states' Eleventh Amendment immunity pursuant to the Due Process Clause when seeking to protect persons from the risk of unlawful deprivation of their property. Such would, in our view, amount to a direct contradiction of the text of the Fourteenth Amendment and its application by the Supreme Court.

If the reasoning of *Fitzpatrick* is to retain vitality, it must be that protecting a well-established property interest such as a patent is a permissible objective under the Fourteenth Amendment. . . . The objective of the Patent

Remedy Act, which is to protect privately-held patent property from deprivation by states, is constitutionally legitimate.

Pet. App. A at 15a-18a (citations omitted).

The Federal Circuit also rejected Florida Prepaid's argument that, under *City of Boerne v. Flores*, 521 U.S. 507 (1997), "the means by which Congress sought to protect the patent right are out of proportion to the harm that the Patent Remedy Act endeavors to prevent." Pet. App. A at 18a-19a. In rejecting Florida Prepaid's argument, the Federal Circuit first analyzed the legislative history of the Patent Remedy Act and found that "the . . . record discloses significant instances of alleged patent infringement by states or state entities." Pet. App. A at 21a. The Court also noted that:

[T]he legislative history reflects the recognition that, as commercialization of basic research continues, particularly in the biotechnology field, state universities are becoming increasingly more active in the commerce of intellectual property, and, naturally, an increase in the number of patent suits against the states likely will ensue.

Pet. App. A at 22a. The Federal Circuit also considered the proportionality between the harm caused by state-sponsored patent infringement and the means Congress chose to address that harm:

[W]hen states infringe patents, they cause considerable harm to the patentee and the patent system as a whole. Absent the right to sue a state under Title 35 for infringement, a patent declines drastically in value. . . . Furthermore, without the disincentive provided by the patent law's damages provisions, a patentee of inventions utilized primarily by states would suffer even greater harm, because an overwhelming portion, rather than a minor subset, of the potential market would be more apt to infringe or to procure cheaper infringing devices until the patentee brings suit. This would render the patentee's patent almost worthless. See *James v. Campbell*, 104 U.S. 356, 358, 26 L. Ed. 786 (1882) (stating with regard to infringement by the federal government: "Many inventions relate to subjects which can only be properly used by the

government, such as explosive shells, rams, and submarine batteries to be attached to armed vessels. If it could use such inventions without compensation, the inventors could get no return at all for their discoveries and experiments.").

. . . .

. . . [T]he burden that the Patent Remedy Act places on states is slight, and it is not disproportionate or incongruent with the significant harm to patent holders who, absent abrogation of Eleventh Amendment immunity, would be unable to enforce fully the rights conveyed by their patent. The Patent Remedy Act thus achieves the congruence between the injury to be prevented and the means adopted to remedy the injury that distinguishes a permissible, remedial exercise of Congress' power under the Fourteenth Amendment from an impermissible extension of the substance of the Fourteenth Amendment rights themselves.

Pet. App. A at 23a-25a (citations omitted).

After finding that Congress clearly expressed its intent to abrogate the states' Eleventh Amendment immunity, and that Congress abrogated the states' immunity in a valid exercise of Congress' constitutional authority under the Fourteenth Amendment, the Federal Circuit affirmed the District Court's decision denying Florida Prepaid's motion to dismiss. The Federal Circuit did not reach CSB's arguments that Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had: (1) by its conduct in this action; and (2) under the constructive waiver doctrine articulated by the Court in *Parden v. Terminal Ry. of Alabama State Docks Dep't*, 377 U.S. 184 (1964). See *infra*, p. 49.

On September 29, 1998, the Clerk of the Court docketed Florida Prepaid's Petition for Writ of Certiorari. The Court granted Florida Prepaid's Petition on January 8, 1999.

### SUMMARY OF ARGUMENT

It has been settled for more than a century that the rights secured by a patent are property. *Union Paper-Bag Mach. Co. v. Murphy*, 97 U.S. 120, 121 (1877) ("[r]ights secured to an inventor by letters-patent are property"). It also is settled that patent property rights are



viewed no differently than other established property rights in the eyes of the Constitution or the Court:

A patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.

*Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876).

The totality of the property right conveyed by a patent is the right to exclude others from practicing the inventions described and claimed in the patent:

The franchise which the patent grants, consists altogether in the right to exclude every one from making, using, or vending the thing patented, without the permission of the patentee. *This is all that he obtains by the patent.*

*Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1852) (emphasis added). The right to exclude is among the "most essential sticks in this bundle of rights that are commonly characterized as property."

*Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979).

When the United States deprives a patent owner of the right to exclude by making or using the patented invention without obtaining a license and without paying compensation to the patent owner, a taking in contravention of the Fifth Amendment occurs:

That the government of the United States when it grants letters-patent for a new invention or discovery in the arts, confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser, we have no doubt.

*James v. Campbell*, 104 U.S. 356, 357-58 (1881). See also *William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 39-40 (1918) ("rights secured under the grant of letters patent by the United States [are] property and protected by the guarantees of the Constitution and not subject therefore to be appropriated even for public use without adequate compensation"); *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641,

648 (1915) ("[t]he exclusive right conferred by the patent [is] property, and the infringement [is] a tortious taking of a part of that property").

The prohibition of the Takings Clause of the Fifth Amendment — "nor shall private property be taken for public use, without just compensation" — applies with equal force to the United States and to the several states:

The pertinent words of the Fifth Amendment . . . are the familiar ones: "nor shall private property be taken for public use, without just compensation." *That prohibition, of course applies against the States through the Fourteenth Amendment.*

*Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 160 (1980) (emphasis added).

Section 1 of the Fourteenth Amendment expressly prohibits states from depriving persons of their property without due process of law, and through incorporation of the Fifth Amendment, prohibits the states from taking property without just compensation. Section 5 of the Fourteenth Amendment explicitly authorizes Congress to enact legislation appropriate to enforce the substantive provisions of § 1, including the Due Process Clause, against the states. See *City of Boerne*, 521 U.S. at 519 ("The 'provisions of this article,' to which § 5 refers, include the Due Process Clause of the Fourteenth Amendment."). Section 5 of the Fourteenth Amendment authorizes Congress to enact legislation to enforce the substantive provisions of the Fourteenth Amendment against the states notwithstanding the provisions of the Eleventh Amendment. In *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 238 (1985), the Court held:

[T]he Eleventh Amendment is "necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment," that is, by Congress' power "to enforce, by appropriate legislation, the substantive provisions of the Fourteenth Amendment." *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976). As a result, when acting pursuant to § 5 of the Fourteenth Amendment, Congress can abrogate the Eleventh Amendment without the States' consent.

See also *Seminole Tribe*, 517 U.S. at 59.

Section 5 of the Fourteenth Amendment expands congressional authority and limits the power of the states:

Speaking of the Thirteenth and Fourteenth Amendments in *Ex parte Virginia*, 100 U.S. 339, 345 (1880), the Court stated: "They were intended to be, what they really are, limitations of the powers of the States and enlargements of the power of Congress."

*City of Richmond v. J.A. Croson Co.*, 488 U.S. 469, 490 (1989). When Congress exercises that "positive grant of power" under § 5 (*Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)), and enacts legislation to deter or remedy constitutional violations, Congress may even prohibit conduct that is not itself unconstitutional:

As the Court recently observed with respect to Congress' power to legislate under the Fourteenth Amendment, "[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into legislative spheres of autonomy previously reserved to the States."

*Lopez v. Monterey County*, \_\_\_ U.S. \_\_\_, \_\_\_, 119 S. Ct. 693, 703 (1999) (citation omitted).

The Court defined the scope of Congress' authority under § 5 in *Morgan*, 384 U.S. at 650 (footnote omitted):

By including § 5 the draftsmen sought to grant to Congress, by a specific provision applicable to the Fourteenth Amendment, the same broad powers expressed in the Necessary and Proper Clause, Art. I, § 8, cl. 18. The classic formulation of the reach of those powers was established by Chief Justice Marshall in *McCulloch v. Maryland*, 4 Wheat. 316, 421:

Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution are constitutional.

Congress exercised its authority under § 5 in 1992 when it enacted the Patent Remedy Act to prevent states from depriving patent owners of their patent property without due process of law and just compensation:

[T]he bill is justified as an acceptable method of enforcing the provisions of the fourteenth amendment. The Court in *Lemelson v. Ampex Corp.* [372 F. Supp. 708, 181 USPQ 313 (N.D. Ill. 1974)], recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law. . . . Furthermore, the fourteenth amendment gives Congress the authority to enforce this right. S. 758 and S. 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

S. Rep. No. 102-280, at 8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3094 (hereafter "S. Rep., at \_\_, \_\_") (App. 20a) (footnotes omitted).

Congress enacted the Patent Remedy Act in response to the Federal Circuit's decision in *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990). In *Chew*, the Federal Circuit, in accordance with this Court's holding in *Atascadero*, held that the Patent Act did not abrogate the states' Eleventh Amendment immunity because the Patent Act did not explicitly evidence an intent on the part of Congress to abrogate the states' immunity from suit. In connection with its consideration of *Chew*, Congress observed that:

By permitting the sovereign immunity defense to deny Chew recovery, the plaintiff was literally left without any recourse.

S. Rep., at 6, 3092 (App. 15a).

In enacting the Patent Remedy Act, Congress "review[ed] some of the decided cases to get a picture of the extent to which arms of the states are involved in commercial activity involving patented technology." *Patent Remedy Clarification Act: Hearing on H.R. 3886 Before the Subcomm. on Courts, Intellectual Property, and the Admin.*



of Justice of the House Comm. on the Judiciary, 101st Cong., 2d sess. 30 (1990) (hereafter "Hearing, at \_\_\_") (prepared statement of Robert P. Merges). The legislative history reflects an expectation of increasing state involvement in patent litigation:

Most importantly, the cases where sovereign immunity could be a defense are very likely to grow in number. State universities are joining the rush to commercialize the results of basic science in ever-growing numbers. This trend is especially apparent in the biotechnology industry, and to a lesser extent in fields such as materials science and computer software. As the universities do so, they move further and further into the commercial realm, making it more likely that they will be involved in an increasing amount of patent litigation.<sup>3</sup>

Hearing, at 37.

Congress considered and rejected as inadequate state law remedies for state-sponsored patent infringement. In this connection, the legislative history discusses the cumbersome nature of drafting a patent infringement action as a general tort claim against a state:

Thus a patentee . . . would apparently have to draft her cause of action as a general tort claim — or perhaps one for restitution — to come within the statute. This might be impossible, or at least difficult. . . . Consequently, relief under statutes such as these may not be a true alternative avenue of recovery.

Hearing, at 33.

The legislative history of the Patent Remedy Act reflects Congress' concern that the Court's decision in *Bonito Boats, Inc. v. Thundercraft Boats, Inc.*, 489 U.S. 141 (1989) may preempt state courts from hearing claims that, in substance, are patent infringement claims. Hearing, at 33-34. Congress also heard testimony that raised questions about whether state law remedies are available in all of the states, and noted that the lack of uniformity that would flow from

3. The legislative history also reports that "[a] quick review of reported cases provides evidence that such a trend is already under way." Hearing, at 37 n.20.

allowing each state to define its own remedy for patent infringement would adversely affect the value of patents:

Another problem with this approach is that it assumes that such state law remedies will be available in every state in which the patentee's product is sold. This may or may not be true. In any event, requiring a potential plaintiff (patentee) to ascertain the validity of her claims under the differing substantive and procedural laws of the fifty states may well prove a very substantial disincentive to the commencement of such suits. Moreover, it would vitiate a major goal of the federal intellectual property system: national uniformity. In short these remedies are simply no substitute for patent infringement actions.<sup>4</sup>

Hearing, at 34 (footnotes omitted).

Congress' enactment of the Patent Remedy Act is a paradigm for the constitutional exercise of its authority under the Fourteenth Amendment. Congress identified a problem: an increasing trend of patent infringement by the states. Congress recognized that to the extent state remedies for patent infringement even exist, those remedies can be inadequate, cumbersome, illusory and of limited or no practical utility. Congress also appreciated that a lack of uniformity in the procedures and remedies available to address patent infringement reduces the value of patents to their owners. Congress explicitly determined that the Patent Remedy Act was necessary to insure that patent owners are afforded due process of law and just compensation when states act to deprive them of their patent property by violating their right to exclude others from practicing their inventions. Congress' determination is entitled to much deference. *City of Boerne*, 521 U.S. at 536 ("It is for Congress in the first instance to 'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference.") (citation omitted).

Florida Prepaid argues that the Court's decision in *Seminole Tribe* bars Congress from enacting legislation that prohibits the states from

4. The legislative history also notes that state court judges lack expertise in addressing issues related to patent infringement actions and that their decisions would not be reviewable by the Federal Circuit. Hearing, at 37 n.20.

depriving persons' of "Article I property interest[s]" without due process of law and just compensation. The statute at issue in *Seminole Tribe*, however, did not implicate *any* property rights. *Seminole Tribe* simply does not address the questions whether and under what circumstances Congress may protect property interests from deprivation by the states.

Florida Prepaid's attempt to distinguish "Article I property interest[s]" from other property interests finds no support in the text of the Fourteenth Amendment, and is contrary to the Court's settled case law that makes it clear a patent for an invention is as much property as a patent for land: "The right rests on the same foundations, and is surrounded and protected by the same sanctions." *Consolidated Fruit-Jar*, 94 U.S. at 96. Money, like patents, is an "Article I property interest." It is beyond doubt that the Fourteenth Amendment prevents states from depriving persons of their monetary property without due process of law and just compensation. See *Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 571-72 (1972). There is no principled basis for differentiating between a person's property interests in money or patents.

Florida Prepaid argues that if the Court confirms Congress has authority to enact legislation preventing states from depriving patent owners of their property without due process and just compensation, Congress will emasculate the Eleventh Amendment by creating numerous new property rights under Article I, and then enact legislation under the Fourteenth Amendment to protect those new rights against deprivation by the states. Florida Prepaid's confected parade of horrors is illusory: the Constitution does not vest in Congress plenary power to create property. Article I of the Constitution does, however, expressly authorize Congress to create patent (as well as copyright and monetary) property interests.

Florida Prepaid claims that Congress did not identify "any actual or threatened state conduct" that deprives patent owners of their property without due process of law and just compensation. Florida Prepaid is wrong. Congress identified a growing problem of state-sponsored patent infringement. Patent infringement deprives patentees of the sole property right associated with patents — the right to exclude. Congress determined that state law remedies and procedures

for patent infringement either did not exist or were inadequate to insure that patentees are justly compensated for deprivation by the states. Congress appreciated that the value of patent property turns on the availability of uniform procedures and remedies administered by courts experienced in addressing the issues that arise in patent litigation.

Florida Prepaid asserts that the courts below should have determined whether Florida Prepaid's infringement of CSB's patent constituted a constitutional violation. That, however, is not the test. There is no requirement that the courts evaluate on a case by case basis whether conduct proscribed by Congress violates the Fourteenth Amendment. *Morgan*, 384 U.S. at 648.

Florida Prepaid contends that "[t]he expansive relief provided under Title 35 is grossly incongruent to the end of redressing governmental patent infringement." Brief for Petitioner, p. 13. The damages available in patent infringement actions, however, are calculated to *compensate* patent owners whose patent property has been taken and improperly used by infringers. 35 U.S.C. § 284 ("upon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement* . . . for the use made of the invention by the infringer") (emphasis added). Compensatory patent infringement damages can be increased by the courts only when a state's acts of infringement are "flagrant" and "egregious" — when extra deterrence is required. S. Rep., at 10-11, 3096-97 (App. 25a). Florida Prepaid complains that the Patent Remedy Act allows for awards of attorneys' fees against the states. Attorney's fees, however, like increased damages, are awarded only in "exceptional" cases. 35 U.S.C. § 285. This Court itself has held that awards of attorney's fees may be appropriate to enforce the guarantees of the Fourteenth Amendment. *Maher v. Gagne*, 448 U.S. 122, 132 (1980).

The Patent Remedy Act is a paradigm of proportionality. In unexceptional cases, it provides the patentee whose property has been taken by the state with a remedy in the form of "damages adequate to *compensate* for the infringement." In exceptional cases, when a state willfully and deliberately infringes a patent, Congress has crafted a remedy designed to create the disincentive necessary to deter future acts of bad faith state-sponsored deprivation of patent property.



Florida Prepaid complains that the Patent Remedy Act treats infringing states in a manner that differs from the treatment afforded the United States under 28 U.S.C. § 1498. The United States, however, stands on entirely different footing than the states with respect to sovereign power over patent property. The United States has the sovereign power of eminent domain over property in the hands of citizens of the United States, including patents, and may choose to exercise that power and take patent property for public use so long as the patent owner is provided due process and just compensation as required by the Fifth Amendment. Congress waived the United States' sovereign immunity from suit when it enacted 28 U.S.C. § 1498 to provide patent owners whose patent property has been taken by the United States with a remedy in the form of an action against the United States in the Court of Federal Claims for recovery of "reasonable and entire compensation." The states, on the other hand, have no sovereign power over patents owned by citizens of other states. The eminent domain power of a state extends only to property within its boundaries. Florida Prepaid has no right and no power to exercise eminent domain over the patent property of CSB, a New Jersey resident,<sup>5</sup> and there is no reason to require Congress to treat patent infringement by the states in the same way Congress has provided when the United States exercises its power of eminent domain over patent property.

The Patent Remedy Act is Congress' considered response to a state's successful reliance on sovereign immunity that left a patent owner whose property was taken "without any recourse." Congress reviewed past reported decisions of state-sponsored patent infringement, identified a problem of increasing state-sponsored patent infringement, and concluded, that if left unchecked, state-sponsored patent infringement would increase substantially. Congress analyzed state law remedies and procedures and found them on the whole insufficient to insure that a patent owner whose property is taken is afforded the due process and just compensation guaranteed by § 1 of the Fourteenth Amendment. Congress emphasized the

5. There is a fundamental question about what right or power a state has to take the patent property of a United States citizen even with due process and just compensation. See *infra*, pp. 43-44.

importance of uniform remedies and procedures to maintain the value of patent property. The Patent Remedy Act is a valid exercise of Congress' authority to enforce the mandate of the Fourteenth Amendment that no state shall deprive any person of property without due process of law and just compensation.

## ARGUMENT

### A. PATENTS ARE PROPERTY RIGHTS PROTECTED BY THE FOURTEENTH AMENDMENT

It is well settled that patents are property. 35 U.S.C. § 261 ("[p]atents shall have the attributes of personal property"). See *Union Paper-Bag Mach. Co.*, 97 U.S. at 121. Florida Prepaid nevertheless continues to refer to patents as "a species of property," and attempts to distinguish patent property from forms of property protected from unlicensed and uncompensated deprivation by the states. The Court long has held, however, that patent property rights are indistinguishable from other property rights in the eyes of the Constitution. *Consolidated Fruit-Jar*, 94 U.S. at 96.

The Court long has held that an uncompensated, unlicensed use by the United States of a patented invention contravenes the Takings Clause of the Fifth Amendment — "nor shall private property be taken for public uses without just compensation." *James*, 104 U.S. at 357-58; *William Cramp & Sons Ship & Engine Bldg. Co.*, 246 U.S. at 39-40; *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945) ("That a patent is property, protected against appropriation both by individuals and by government, has long been settled.") (footnote omitted); *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 191 (1933) ("[t]he government has no more power to appropriate a man's property invested in a patent than it has to take his property in real estate").

The Takings Clause also prohibits the states from taking private property without due process and just compensation:

The Takings Clause of the Fifth Amendment of the United States Constitution, made applicable to the States through the Fourteenth Amendment, provides: "[N]or shall private property be taken for public use, without just compensation."

*Dolan v. City of Tigard*, 512 U.S. 374, 383-84 (1994) (citation and footnote omitted). If a state violates a landowner's right to exclude, a taking occurs. *Dolan*, 512 U.S. at 384 ("Without question, had the city simply required petitioner to dedicate a strip of land . . . for public use . . . a taking would have occurred. Such public access would deprive petitioner of the right to exclude others, 'one of the most essential sticks in the bundle of rights that are commonly characterized as property.' ") (citations omitted). Under the Court's holding in *Consolidated Fruit-Jar* that "[a] patent for an invention is as much property as a patent for land," an uncompensated, state-sponsored violation of a patent owner's right to exclude also must constitute a taking. 94 U.S. at 96.

Section 1 of the Fourteenth Amendment expressly prohibits the states from depriving persons of their property without due process of law, and through incorporation of the Fifth Amendment, prohibits states from taking property without just compensation. Congress is authorized by § 5 to enact legislation appropriate to enforce against the states all of the substantive provisions of the Fourteenth Amendment — including the Due Process clause. *Maher*, 448 U.S. at 132 ("Under § 5 Congress may pass any legislation that is appropriate to enforce the guarantees of the Fourteenth Amendment."). Congress has authority under the Fourteenth Amendment to abrogate the states' Eleventh Amendment immunity to enforce the substantive provisions of the Fourteenth Amendment against the states. *Fitzpatrick*, 427 U.S. at 456. The Court explained the import of *Fitzpatrick* in *Seminole Tribe*:

In *Fitzpatrick* we recognized that the Fourteenth Amendment, by expanding federal power at the expense of state autonomy, had fundamentally altered the balance of state and federal power struck by the Constitution. We noted that § 1 of the Fourteenth Amendment contained prohibitions expressly directed at the States and that § 5 of the Amendment expressly provided that "The Congress shall have the power to enforce, by appropriate legislation, the provisions of this article." We held that through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment and therefore that § 5 of the Fourteenth Amendment allowed

Congress to abrogate the immunity from suit guaranteed by the Amendment.

517 U.S. at 59.

The states have infringed patents without license, process or compensation. Congress had reason to believe, when it enacted the Patent Remedy Act, that state infringement would continue, and that if left unchecked, the incidence of state-sponsored patent infringement would rise. Congress determined that legislation was necessary to insure that patent owners whose rights to exclude are violated by the states are afforded the due process and just compensation guaranteed by the Fourteenth Amendment. The Patent Remedy Act, which provides a remedy with uniform procedures and experienced courts, and mandates that states must compensate patentees for the patented inventions the states take, creates no new rights — the Patent Remedy Act only enforces rights explicitly enumerated in the text of the Fourteenth Amendment.

#### 1. *Seminole Tribe*

According to Florida Prepaid:

*Seminole Tribe* teaches that Congress cannot abrogate states' Eleventh Amendment immunity simply because it desires to provide a federal forum for the recovery of damages for violations of a federal right created under Article I.

Brief for Petitioner, p. 16 (footnote omitted). This is not the holding of *Seminole Tribe*. In *Seminole Tribe*, the Court held that the Indian Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the states' Eleventh Amendment immunity. The Court also overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), and held that the Interstate Commerce Clause (U.S. Const. art. I, § 8, cl. 3) does not authorize Congress to abrogate the states' Eleventh Amendment immunity. The Court summarized its holding in *Seminole Tribe* as follows:

The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.



517 U.S. at 72-73. *Seminole Tribe* stands for the proposition that Congress cannot use its Article I powers to abrogate the states' Eleventh Amendment immunity. *Seminole Tribe* says nothing, however, about Congress' authority under the Fourteenth Amendment to protect property rights created by Congress under Article I.

Florida Prepaid contends:

[W]hile *Seminole Tribe* does not mean that Congress cannot create property rights under Article I or even that patents are not property, it does confirm that whatever statutory property rights Congress is able to create under Article I after the passage of the Eleventh Amendment do not include the right to have such rights enforced against states by suit in federal court.<sup>6</sup>

Brief for Petitioner, pp. 17-18 n.6. *Seminole Tribe*, however, is inapposite to the question whether the Fourteenth Amendment authorizes Congress to enact legislation prohibiting the states from taking patent property (or any other form of property) without due process of law and just compensation. The Court's holding in *Seminole Tribe* did not implicate Congress' authority under the Fourteenth Amendment. The Eleventh Circuit held, and this Court affirmed, that the statute at issue in *Seminole Tribe*, the Indian Gaming Regulatory Act, "creates no liberty or property interests and cannot implicate the Fourteenth Amendment." *Seminole Tribe*, 11 F.3d at 1025 (emphasis added). *Seminole Tribe* does not address the question whether § 5 of the Fourteenth Amendment authorized Congress to enact the Patent Remedy Act to enforce the substantive provisions of the Fourteenth Amendment against the states. That question is controlled by the Court's holding in *Fitzpatrick*, where the Court specifically held that § 5 does authorize Congress to enact legislation abrogating the states' Eleventh Amendment immunity to enforce the substantive provisions of the Fourteenth Amendment. Congress did just that when it enacted the Patent Remedy Act for the explicit purpose of preventing states from taking patent property without due process and just compensation.

6. Florida Prepaid's argument is belied by the fact that Congress created patent property rights in the Patent Act of 1790 (1 Statutes at Large 109), before the Eleventh Amendment was even proposed to the legislatures of the several states by the Third Congress on March 4, 1794.

Florida Prepaid argues that because patents are created pursuant to a statute Congress enacted under authority of Article I, and because *Seminole Tribe* holds that Article I does not authorize Congress to abrogate the states' immunity, Congress cannot constitutionally enact legislation to prevent states from taking patents without due process and just compensation. This argument fundamentally misapprehends the respective roles of Article I and the Fourteenth Amendment. The Fourteenth Amendment expressly prohibits the states from taking property without due process of law, and through incorporation of the Fifth Amendment, prohibits states from taking private property without just compensation. Section 5 of the Fourteenth Amendment also grants Congress authority to enforce through legislation the mandates of the substantive provisions of the Fourteenth Amendment. Article I, in contrast, gives Congress authority to create patent and certain other forms of property, but says nothing about the authority of Congress to prohibit the states from taking patents or any other form of property.

When a state takes patent property without due process and just compensation, it runs afoul of the prohibitions of the Fourteenth Amendment — not the provisions of Article I. When a state takes patent property it violates the substantive prohibitions of Section 1 of the Fourteenth Amendment just as surely as when it takes a person's land or money.<sup>7</sup> The fact that patent property rights were created by

7. Money, like patents, is a form of property created by Congress pursuant to authority enumerated in Article I of the Constitution. U.S. Const. art I, § 8, cl. 5. It is beyond doubt that a state could not deprive its citizens — let alone the citizens of other states — of their monetary property without due process and just compensation. See *Board of Regents*, 408 U.S. at 571-72 (the "property interests protected by procedural due process extend well beyond actual ownership of real estate, chattels, or money") (footnote omitted). Florida Prepaid never adequately explains why one form of property created by Congress under Article I — money — merits protection under the Fourteenth Amendment, while another form of property created by Congress under Article I — patents — does not. In its Reply Brief in support of its Petition for Writ of Certiorari (p. 7 n.3), Florida Prepaid argues that money and patents are different because " 'money' as a medium of exchange has an ancient history that obviously predates the Constitution," and that the government may take actions that devalue currency without giving rise to a claim under the "Takings (Cont'd)

Congress under Article I is irrelevant to the question whether the Fourteenth Amendment authorizes Congress to enact legislation that prevents the states from depriving patent owners of their property without the due process and just compensation guaranteed by the Fifth and Fourteenth Amendments. Article I never granted Congress authority to enact legislation abrogating the states' immunity from suit in the federal courts — that is the holding of *Seminole Tribe*. When Congress enacted the Patent Remedy Act, it enforced rights guaranteed by the Fourteenth Amendment — not Article I.

Florida Prepaid's attempt to carve out an exception to the Fourteenth Amendment that would exclude property created by Congress pursuant to laws enacted under authority of Article I, is contrary to the text of the Fourteenth Amendment and the precedent of this Court. See, e.g., *Consolidated Fruit-Jar*, 94 U.S. at 96. The Fourteenth Amendment makes no distinctions between different forms of property:

The Fourteenth Amendment's procedural protection of property is a safeguard of the security interests that a person has already acquired in specific benefits. These interests — property interests — may take many forms.

*Board of Regents*, 408 U.S. at 576. Patents surely are one such form of protected property. As the Federal Circuit noted, many of the forms of property this Court has held to be protected by the Fourteenth Amendment are not grounded as securely in the Court's historical jurisprudence as patents. Pet. App. A, 17a-18a. The framers of the Fourteenth Amendment could have drafted the Amendment to prohibit the states from depriving persons of their property without due process of law, *except for property created by Congress pursuant to its*

(Cont'd)

Clause." These distinctions make little sense. Patents also predate the Constitution. Moreover, a devaluation of money caused by a general regulation is not analogous to the confiscatory taking at bar. When a state infringes a patent, it confiscates the patented invention for its own use and deprives the patent owner of the sole property right secured by a patent — the right to exclude. That is not equivalent to the operation of a general regulation that merely devalues patents. Such a confiscatory state use is a per se taking. *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982). See *Phillips v. Washington Legal Found.*, 524 U.S. 156, \_\_\_, 118 S. Ct. 1925, 1931 (1998).

*authority under Article I of the Constitution*. The framers, however, did not so limit the Fourteenth Amendment; neither did this Court in *Seminole Tribe*.

Florida Prepaid argues that if Congress is allowed to enact legislation under the Fourteenth Amendment to protect property rights created by Congress under Article I, Congress will use its Article I power to create numerous new property rights, and then exercise its Fourteenth Amendment authority to use those new property rights to eviscerate the Eleventh Amendment. Congress' authority under Article I to create property, however, is not unlimited. Article I does, however, expressly authorize Congress to create patent property, and this Court's prior decisions plainly establish that patent property — like land — falls within the class of property protected from governmental deprivation by our Constitution. Florida Prepaid's attempt to elevate the Eleventh Amendment above the Fourteenth Amendment misapprehends the role of the Fourteenth Amendment as an expansion of congressional authority at the expense of state power, and eviscerates the express provisions of the Fourteenth Amendment that Congress may enact legislation appropriate to prevent the states from depriving persons of property without due process of law and just compensation.

Florida Prepaid relies on the vacated decision of the Court of Appeals for the Fifth Circuit in *Chavez v. Arte Publico Press*, 157 F.3d 282, 289 (5th Cir. 1998), to support its argument that allowing Congress to enact legislation protecting patent property rights would be an "end-run around *Seminole [Tribe]*." Judge Wisdom's dissenting response in *Chavez* eloquently rebuts that argument:

Congress enacted a valid waiver of state sovereign immunity for copyright and trademark infringement cases. It may be that this allows an end-run around *Seminole*, but this end-run is one grounded in the text of the Constitution and well-established precedent.

157 F.3d at 297-98 (footnote omitted).



**B. THE PATENT REMEDY ACT IS A CONSTITUTIONAL EXERCISE OF CONGRESS' AUTHORITY TO ENACT LEGISLATION PREVENTING THE STATES FROM DEPRIVING PATENT OWNERS OF THEIR PROPERTY WITHOUT DUE PROCESS OF LAW AND JUST COMPENSATION**

**1. Congress Clearly Evidenced A Desire To Remedy And Deter Unconstitutional State Conduct**

Florida Prepaid asserts that: "None of the five justifications for Congress's passage of the Patent Remedy Act evidence a desire to remedy or prevent a pattern of unconstitutional state conduct." Brief for Petitioner, p. 20. Florida Prepaid's assertion is belied by the legislative history of the Patent Remedy Act. That history is replete with passages that evidence Congress' desire to remedy and deter unconstitutional state-sponsored takings of patent property. The Senate Report submitted with the legislation, for example, states:

[T]he bill is justified as an acceptable method of enforcing the provisions of the Fourteenth Amendment. The Court in *Lemelson v. Ampex Corp.* recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law. . . . Furthermore, the fourteenth amendment gives Congress the authority to enforce this right. S. 758 and S. 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

S. Rep., at 8, 3094 (App. 20a) (citation omitted).

The legislative history expressly indicates that the purpose of the Patent Remedy Act is to insure that patent owners whose inventions are taken by states are compensated:

To this end, the gentleman from California, Mr. Moorehead, and myself [Representative Kastenmeier], have introduced H.R. 3886 to assure that patent owners can recover damages from States that

infringe their patents, notwithstanding the provisions of the 11th amendment.

Hearing, at 5 (opening statement of Robert N. Kastenmeier).

Congress expressed its concern that after the Federal Circuit's decision in *Chew*, there would be no viable remedy available to patent owners to obtain compensation for unlicensed state use of patent property:

Although the *Chew* court recognized that Congress could abrogate the State's immunity, it determined that the Patent Code did not meet the stringent test required by *Atascadero*. The court found that the patent statute used only the general term of "whoever" when stating what parties were subject to suit for patent infringement. As the Supreme Court had stated in *Atascadero*, the *Chew* court held that, "when Congress chooses to subject states to federal jurisdiction, it must do so specifically." *By permitting the sovereign immunity defense to deny Chew discovery, the plaintiff was literally left without any recourse.*

S. Rep., at 5-6, 3091-92 (App. 14a-15a) (emphasis added) (citations omitted).

Florida Prepaid contends that: "Congress did not make any inquiry into the availability of due process in state courts when enacting the Patent Remedy Act. . . ." Brief for Petitioner, p. 32. On the contrary, Congress heard a significant amount of testimony that supported its conclusion that state law remedies for patent infringement are inadequate at best. The Acting Commissioner of Patents and Trademarks testified that:

If States remain immune from suit, patent holders would be forced to pursue uncertain, perhaps nonexistent remedies under State law. . . .

Hearing, at 7-8 (statement of Jeffrey M. Samuels). The President of the American Intellectual Property Law Association ("AIPLA"), William S. Thompson, testified:

In this case there is no balance, since there are no — or at least there are not very effective patent remedies at

the State level. The only effective remedies exist in the Federal courts.

Hearing, at 47. Professor Robert P. Merges of the Boston University School of Law testified:

Thus a patentee such as Marian Chew would apparently have to draft her cause of action as a general tort claim — or perhaps one for restitution — to come within the statute. This might be impossible, or at least difficult, under California law. *Consequently, relief under statutes such as these may not be a true alternative avenue of recovery.*

....  
Another problem with the approach is that it assumes that such state law remedies will be available in every state in which the patentee's product is sold. This may or may not be true. In any event, requiring a potential plaintiff (patentee) to ascertain the validity of her claims under the differing substantive and procedural laws of the fifty states may well prove a very substantial disincentive to the commencement of such suits. . . . In short, these remedies are simply no substitute for patent infringement actions.<sup>8</sup>

Hearing, at 33-34 (citation omitted) (emphasis added). This Court has questioned the wisdom and constitutional adequacy of forcing a deprived property owner to seek redress from a state by way of a tort suit:

The Court's decisions suggest that, absent "the necessity of quick action by the State or the impracticality of providing any predeprivation process," a postdeprivation hearing would be constitutionally inadequate. That is particularly true where, as here, the State's only post-

8. In fact, not all states do offer some form of remedy. In the Amicus Brief filed by Ohio and a number of other states, the states allege that "almost every state in the Union" offers a "form of process" and that "virtually no state . . . fails to offer a process by which a patent holder may seek a remedy from an alleged infringement." Brief of *Amici Curiae* States of Ohio et al., p. 2 (emphasis added). The states admit, however, that at least one state — West Virginia — offers no remedy at all. It also is notable that the most that the states claim is that a number of them "offer a process" — not *due process*.

termination process comes in the form of an independent tort action. Seeking redress through a tort suit is apt to be a lengthy and speculative process, which in a situation such as this one will never make the complainant entirely whole. . . .

*Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 436-37 (1982) (citations and footnote omitted).

Professor Merges also testified that the unfamiliarity of state court judges with patent issues would likely diminish patent owners' chances of receiving the due process and just compensation guaranteed by the Fourteenth Amendment:

Recall too that state court judges presumably have little experience in cases involving questions of invention and infringement. . . .

Hearing, at 34 n.14. The President of the AIPLA, William S. Thompson, made the same point in his testimony before Congress:

State courts are ill-equipped to deal with patent law. They have no experience or jurisprudence to guide them. While, as a practical matter they may look to the decisions of the Federal Circuit, they are not bound to do so. It is problematical how conflicts between state applications of patent law and that of the Federal Circuit could be resolved.

Hearing, at 58.

Congress considered a number of prior reported cases of state-sponsored patent infringement and heard testimony predicting an "expected increase in state-related infringement suits":

Most importantly, the cases where sovereign immunity could be a defense are very likely to grow in number. State universities are joining the rush to commercialize the results of basic science in ever-growing numbers. . . . As the universities do so, they move further and further into the commercial realm, making it more likely that they will be involved in an increasing amount of patent litigation.<sup>20</sup>

<sup>20</sup> A quick review of reported cases provides evidence that such a trend is already under way.



Hearing, at 36-37 n.20 (prepared statement of Robert P. Merges) (emphasis added).

Congress also heard testimony predicting that state immunity would breed a growing disrespect for patent property rights:

Whatever might be said about an inherent respect for intellectual property rights, the Attorney Generals of California, Massachusetts, and Virginia successfully avoided infringement liability by their states in *BV Engineering, Lane, Richard Anderson Photography*, and *Chew* because the Supreme Court gave them a valid legal defense. Our fear is that if current legal immunity continues, states will begin to disregard, perhaps carelessly, patent rights, and perhaps in time to knowingly infringe patent rights.

Hearing, at 56-57 (prepared statement of William S. Thompson).

The legislative history underlying the Patent Remedy Act demonstrates that Congress: (1) considered the states' past history of depriving patentees of their property rights; (2) considered information indicating that state-sponsored patent infringement would increase in the future; (3) determined that state law remedies for patent infringement practically are non-existent; (4) considered the fact that state law judges are unfamiliar with patent infringement issues, and therefore would be unlikely to provide patentees with due process or insure that patentees are justly compensated; and (5) explicitly concluded that a federal remedy was necessary to enforce patent owners' Fourteenth Amendment rights against the states. Florida Prepaid's assertion that Congress did not evidence a desire to remedy or prevent unconstitutional state conduct is contradicted by the legislative history of the Patent Remedy Act.

## 2. Florida Prepaid Applies The Wrong Test In Its Criticism Of The Federal Circuit's Decision

Florida Prepaid contends that the Federal Circuit's decision is flawed because the Court did not examine, on a state by state basis, whether various state remedies satisfy minimal due process requirements:

Rather than looking to whether states have violated the patent code as alleged in the cited lawsuits, the court (and

Congress) should have examined whether states had infringed patents or threatened to do so while also not providing patentees with constitutionally adequate due process under law. Their failure to appreciate this distinction and conduct the proper inquiry is fatal to the constitutionality of the Patent Remedy Act.

Brief for Petitioner, p. 27. Florida Prepaid's argument misapprehends the role of the judiciary in reviewing legislation enacted by Congress under authority of § 5 of the Fourteenth Amendment. In *Morgan*, 384 U.S. at 648-49 (first emphasis added) (footnotes and citation omitted), the Court held:

The Attorney General of the State of New York argues that an exercise of congressional power under § 5 of the Fourteenth Amendment that prohibits the enforcement of a state law can only be sustained if the judicial branch determines that the state law is prohibited by the provisions of the Amendment that Congress sought to enforce. More specifically, he urges that § 4(e) cannot be sustained as appropriate legislation to enforce the Equal Protection Clause unless the judiciary decides — even with the guidance of a congressional judgment — that the application of the English literacy requirement prohibited by § 4(e) is forbidden by the Equal Protection Clause itself. *We disagree. Neither the language nor history of § 5 supports such a construction.* As was said with regard to § 5 in *Ex parte Virginia*, 100 U.S. 339, 345: "It is the power of Congress which has been enlarged. Congress is authorized to *enforce* the prohibitions by appropriate legislation. Some legislation is contemplated to make the amendments fully effective." A construction of § 5 that would require a judicial determination that the enforcement of the state law precluded by Congress violated the Amendment, as a condition of sustaining the congressional enactment, would depreciate both congressional resourcefulness and congressional responsibility for implementing the Amendment. It would confine the legislative power in this context to the



insignificant role of abrogating only those state laws that the judicial branch was prepared to adjudge unconstitutional, or of merely informing the judgment of the judiciary by particularizing the "majestic generalities" of § 1 of the Amendment.

Thus our task in this case is not to determine whether the New York English literacy requirement as applied to deny the right to vote to a person who successfully completed the sixth grade in a Puerto Rican school violates the Equal Protection Clause. . . . [O]ur task is limited to determining whether such legislation is, as required by § 5, appropriate legislation to enforce the Equal Protection Clause (emphasis added).

The Court in *Morgan* prescribed the analysis that courts must employ when reviewing legislation enacted by Congress pursuant to its authority under § 5:

By including § 5 the draftsmen sought to grant to Congress, by a specific provision applicable to the Fourteenth Amendment, the same broad powers expressed in the Necessary and Proper Clause, Art. I, § 8, cl. 18. The classic formulation of the reach of those powers was established by Chief Justice Marshall in *McCulloch v. Maryland*, 4 Wheat. 316, 421:

"Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consist with the letter and spirit of the constitution, are constitutional. . . ." Correctly viewed, § 5 is a positive grant of legislative power authorizing Congress to exercise its discretion in determining whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment.

....

... It was for Congress, as the branch that made this judgment, to assess and weigh the various conflicting considerations . . . , the adequacy or availability of alternative remedies, and the nature and significance of

the state interest that would be affected. . . . It is not for us to review the congressional resolution of these factors. It is enough that we be able to perceive a basis upon which the Congress might resolve the conflict as it did.

*Morgan*, 384 U.S. at 650-53 (footnote omitted).

Congress' authority to enforce the substantive guarantees of the Fourteenth Amendment is broad:

Whatever legislation is appropriate, that is, adapted to carry out the objects the [Civil War] amendments have in view, whatever tends to enforce submission to the prohibitions they contain . . . if not prohibited, is brought within the domain of congressional power.

*Ex parte Virginia*, 100 U.S. 339, 345-46 (1879). See *City of Richmond*, 488 U.S. at 490. Congress' decision that the Patent Remedy Act was necessary to enforce the substantive guarantees of the Fourteenth Amendment is entitled to "much deference." *City of Boerne*, 521 U.S. at 536. The Federal Circuit afforded Congress' decision due deference and reviewed the Patent Remedy Act in accordance with the standard prescribed by this Court to determine whether the Patent Remedy Act is a constitutional exercise of Congress' authority under the Fourteenth Amendment:

[W]e are obliged to consider whether the objective of the legislation [the Patent Remedy Act] is constitutionally legitimate and whether the means crafted by Congress are plainly adapted to achieving this objective.

Pet. App. A at 10a.

**3. Congress Enacted The Patent Remedy Act To Enforce The Due Process Clause — The Legislation Plainly Is Adapted To That End, And Is Consistent With The Letter And Spirit Of The Constitution**

**a. Congress Enacted The Patent Remedy Act To Enforce The Due Process Clause**

Congress explicitly declared that it enacted the Patent Remedy Act:

as an acceptable method of enforcing the provisions of the fourteenth amendment. . . . [T]he fourteenth

amendment prohibits a State from depriving a person of property without due process of law. . . . [T]he fourteenth amendment gives Congress the authority to enforce this right.

S. Rep., at 8, 3094 (App. 20a).

b. *The Patent Remedy Act Is Adapted To Further The Aims Of The Due Process Clause*

The Patent Remedy Act insures that states cannot use patented inventions without justly compensating patent owners for the use of their inventions. The Patent Remedy Act also provides: (1) uniform procedures (the Patent Laws) crafted to insure that patentees are compensated for the taking of their inventions; and (2) an experienced, unbiased forum in the federal courts that enforces patent owners' rights against the states. The Patent Remedy Act also insures that a number of substantive provisions in the Patent Laws specifically designed to prevent continued, unauthorized use of patent property (35 U.S.C. § 283), and to deter willful violations of patent owners' rights (35 U.S.C. §§ 284 and 285), apply against the states. In short, the Patent Remedy Act enforces rights guaranteed to patent owners (and other property owners) by the Fourteenth Amendment.

One important way the Patent Remedy Act enforces the guarantees of the Fourteenth Amendment is by providing an experienced, unbiased forum where a patentee can be assured of receiving just compensation for the use of his or her property. The Court long has recognized that the provision of a federal forum can be an effective method of enforcing the Fourteenth Amendment, especially in situations where, as here, state procedures and tribunals are not guaranteed to be adequate to enforce those rights:

[T]here is express authority to protect the rights and immunities referred to in the Fourteenth Amendment, and to enforce observance of them by appropriate congressional legislation. *And one very efficient and appropriate mode of extending such protection and securing to a party the enjoyment of the right or immunity, is a law providing for the removal of his case from a State court, in which the right is denied by the State law, into a Federal court, where it will be upheld.* This is an ordinary

mode of protecting rights and immunities conferred by the Federal Constitution and laws.

*Strauder v. West Virginia*, 100 U.S. 303, 311 (1879) (emphasis added).

Florida Prepaid contends that Congress should not be permitted to enact legislation insuring that patentees receive due process in the federal courts, because Congress itself created the problem of inexperienced state courts by vesting exclusive jurisdiction for patent infringement actions in the federal courts:

Of course, any inability to bring a patent infringement action in state court is the result of a congressional decision to confer exclusive jurisdiction in patent infringement actions on the federal courts. Thus, to the extent there is insufficient process available to patent owners on that basis, its cause is federal, not state, action.

Brief for Petitioner, pp. 30-31 n.5. Florida Prepaid's argument ignores the importance of uniform procedures and remedies to insure that patentees are afforded due process and just compensation for their inventions. Congress and the Court, however, have recognized the importance of uniformity in protecting the value of patent property:

Since the Patent Act of 1800, Congress has lodged exclusive jurisdiction of actions "arising under" the patent laws in the federal courts, thus allowing for the development of a uniform body of law in resolving the constant tension between private rights and public access. . . . Given the inherently ephemeral nature of property in ideas, and the great power such property has to cause harm to the competitive policies which underlay the federal patent laws, the demarcation of broad zones of public and private right is "the type of regulation that demands a uniform national rule."

*Bonito Boats*, 489 U.S. at 162-63 (citation omitted) (emphasis added). Florida Prepaid's own brief underscores the importance of uniformity to insure that patentees are not denied their Fourteenth Amendment rights:

That the pursuit of claims through available state processes may result in varying levels of process and relief is endemic of any Due Process Clause analysis. Some states



may provide greater remedies than others, yet all remedies may be constitutionally adequate. Allowing states to decide for themselves appropriate remedies is, after all, consistent with the underlying principles of federalism.<sup>9</sup>

Brief for Petitioner, p. 31 (emphasis added). Patents are national property rights awarded to inventors in exchange for disclosing their inventions to the public. *Bonito Boats*, 489 U.S. at 162-63. To insure that a patentee receives *just* compensation for the use of his invention, the measure of that compensation must be calculated in a uniform manner. In order to protect patent property rights, those rights must be worth the same amount in Florida as they are in New Jersey.

Under Florida Prepaid's view, "just compensation" in Arkansas can be different than "just compensation" in California, even though both states have taken and are using *the exact same property*. Patent property quickly will lose its value if an invention is worth less in one state than in another. For example, if a federal court determines that a private California infringer must pay a 5% royalty for use of a patented invention, and the State of California concludes that 2% is just compensation for its use of the same invention, the private infringer may not be able to take a license from the patentee at 5% and compete against the state which enjoys a competitive advantage as a result of the lower royalty. The patentee, of course, is likely to lose licensing revenues for the patented invention. Similarly, a patentee may be able to compete against a state that provides "just compensation" of 5%, but may not be able to stay in business competing against a state that provides only 2%. The regime proposed by Florida Prepaid may well encourage private infringers to get into bed with states that provide low "just compensation." Congress, in enacting the Patent Remedy Act, considered testimony from the President of the AIPLA on this very point:

[T]he general trend would be for States to take advantage of this immunity exclusion and the trend would be to gradually deny protection even to the point that there might be — you might get into some gamesmanship in the sense that certain private testing labs might be taken over by the

9. It is notable that even Florida Prepaid does not assert that all states' remedies are "constitutionally adequate."

States to secure this extra advantage in cases. Hearing, at 56-57.

"Just compensation" for a piece of land in Nevada may well be different than "just compensation" for land in Ohio. Just compensation for a patented invention, however, should be measured using the same criteria throughout the country. The only way to insure that patentees whose inventions are taken by the states receive just compensation is to provide a uniform set of rules applied by a tribunal guided by a uniform set of procedures. That is exactly what the Patent Remedy Act provides.

Florida Prepaid asserts that:

Without the Patent Remedy Act, patentees who believe they have suffered state-sponsored patent infringement retain their property, and will remain able to sell or license the patented invention to others, and "recoup the expenses involved with the discovery of important inventions" for their efforts.

Brief for Petitioner, p. 35. The only property right that patent owners have, however, is the right to exclude. *Bloomer*, 55 U.S. at 549. If patentees cannot exclude states and their agents from using patented inventions, a significant blow has been dealt to the only property right vested in a patentee. A patentee's ability to recoup expenses and earn profits through sales and licensing is substantially undercut when a state competitor and its agents are permitted to use a patentee's invention for free or at prices below market.<sup>10</sup>

10. Florida Prepaid also argues that: "In fact, should Florida or other states refuse to provide constitutionally-adequate due process to patentees, review by this Court is still available to remedy such failure." Brief for Petitioner, p. 29 n.13. The same is true of any right guaranteed by the Fourteenth Amendment. In the absence of the anti-discrimination statute at issue in *Fitzpatrick*, for example, the plaintiff could have pursued any remedies available in the state court system, and then appealed to this Court. Congress' authority to enact legislation enforcing the guarantees of the Fourteenth Amendment is not limited to the rare scenario where a person could not first seek redress from the state and review by this Court. Congress is authorized to enact legislation that increases the likelihood that the guarantees of the Fourteenth Amendment are not abridged, that improves the process of seeking

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The Patent Remedy Act is adapted to enforce the Due Process Clause of the Fourteenth Amendment. The statute insures that a state that takes a patented invention pays an amount "adequate to compensate for the infringement . . . for the use made of the invention. . . ." The Patent Remedy Act deters states that willfully and knowingly use patented inventions without license and without paying compensation. The Patent Remedy Act provides uniform procedures designed to provide due process to patent owners whose property has been taken, and courts experienced in adjudicating patent issues more likely to provide due process and just compensation.

The states, in contrast, provide at best varying remedies that are not designed to provide and do not assure that patentees will be paid just compensation for the use of their inventions. To the extent procedures and tribunals are available in the states to address patent infringement, those procedures are not designed to accommodate the issues that arise in patent infringement cases, and those tribunals are not equipped to insure that patentees receive just compensation. The states propose a system where the value of invention would differ from state to state, a system that inevitably will diminish the value of patent property rights. Uniform remedies and procedures are necessary to assess the value of patent property and to insure that just compensation is paid to patent owners whose property has been taken by the states. Congress recognized this and acted to enforce patentees' Fourteenth Amendment rights against the states by providing patent owners with procedures and a remedy in the form of an action for patent infringement in the federal courts.

#### 4. *City of Boerne*

Florida Prepaid contends that the Patent Remedy Act does not comport with the standard set forth by the Court in *City of Boerne*. The facts in *City of Boerne* are different and distinguishable from the facts of this case. If anything, *City of Boerne* supports the

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redress, and, by assuring compliance with the Fourteenth Amendment, makes review by this Court less necessary. Florida Prepaid's proposed scheme also provides no deterrence to states intent on infringing patents. It is no answer to say that in the absence of congressional legislation, a patentees' rights ultimately may be upheld by this Court after pushing a Sisyphean stone up the hill of inadequate state law procedures and remedies.

constitutionality of the Patent Remedy Act because the Court's decision reaffirms prior holdings that there is " 'no doubt of the power of Congress to enforce by appropriate . . . sanction every right guaranteed by the Due Process Clause of the Fourteenth Amendment.' " 521 U.S. at 519 (citation omitted).

In *City of Boerne*, the Court held that the Religious Freedom Restoration Act ("RFRA") was unconstitutional because — unlike the Patent Remedy Act — it does not *enforce* a right guaranteed by the Fourteenth Amendment. The Court determined that RFRA altered and created, rather than enforced, rights guaranteed by the Fourteenth Amendment:

Legislation which alters the meaning of the Free Exercise Clause cannot be said to be enforcing the Clause. Congress does not enforce a constitutional right by changing what the right is. It has been given the power "to enforce," not the power to determine what constitutes a constitutional violation. Were it not so, what Congress would be enforcing would no longer be in any meaningful sense, the "provisions of [the Fourteenth Amendment.]"

521 U.S. at 519. The Court also stated that:

Legislation which deters or remedies constitutional violations can fall within the sweep of Congress' enforcement power *even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into "legislative spheres of autonomy previously reserved to the States."*

\* \* \*

It is for Congress in the first instance to "determin[e] whether and what legislation is needed to secure the *guarantees* of the Fourteenth Amendment," and its conclusions are entitled to much deference.

521 U.S. at 518, 536 (citations omitted) (emphasis added).

The Patent Remedy Act was enacted to remedy and deter constitutional violations. Unlike RFRA, the Patent Remedy Act creates no new rights — it *enforces* rights to due process and just compensation specifically guaranteed by the Fourteenth Amendment. The Patent Remedy Act also applies to the states provisions in the



Patent Laws designed to deter the knowing and willful taking of patent property without compensation to the patent owners. The rights that the Patent Remedy Act enforces are at the very core of the Fourteenth Amendment — the right to due process and just compensation when a state takes private property.

There is no doubt that Congress enacted the Patent Remedy Act to “remedy” and “deter” a clear constitutional violation — the taking of privately-owned patent property by states without due process of law and just compensation. The legislative history shows that Congress intended the Patent Remedy Act to be a “remedial” statute designed to “rectify” problems associated with state-sponsored infringement:

This legislation will *rectify* the situation and provide uniform protections throughout the patent and trademark systems.

S. Rep., at 9, 3095 (App. 21a-22a). Congress based its decision to enact the Patent Remedy Act in part on testimony that:

It is very clear to us that now we have the issue in connection with . . . . I think that the decision is so clear that there is likely not to be another patent litigation against the States unless there is *remedial legislation*.

Hearing, at 46 (statement of William S. Thompson) (emphasis added).

Congress cited a number of reported instances of state-sponsored patent infringement as a basis for its decision to enact the Patent Remedy Act.<sup>11</sup> S. Rep., at 3-4, 3089-90 (App. 10a-11a); Hearing, at 30-32. Congress also considered testimony that state-sponsored patent infringement is on the rise. Congress specifically cited the fact that Chew was left “without recourse” by the Federal Circuit’s holding in *Chew*. Congress determined that, in light of the harm caused by state-sponsored deprivation<sup>12</sup> of patent rights, it was necessary to provide

11. There is no way to know, of course, how many *unreported* instances of state-sponsored patent infringement existed at the time Congress enacted the Patent Remedy Act. The states’ reliance on sovereign immunity, of course, created an almost insurmountable obstacle preventing patent owners from seeking redress for infringement by states.

12. Florida Prepaid argues that under *Daniels v. Williams*, 474 U.S. 327 (1986), state-sponsored patent infringement does not amount to a

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patentees like Chew with some recourse and a remedy. Congress enacted “remedial legislation” to assure that patent owners who have been deprived by states of their property rights will have recourse to procedures crafted to provide a remedy that comports with the requirements of the Fourteenth Amendment. The rights that Congress acted to enforce — the right to just compensation and due process — are firmly established in the Fourteenth Amendment.

Florida Prepaid argues that the Patent Remedy Act does not comply with *City of Boerne* because it “is grossly incongruent to the end of redressing governmental patent infringement.” Brief for Petitioner, p. 13. Florida Prepaid is wrong. The damages available in patent infringement actions under the Patent Remedy Act are designed to justly *compensate* patent owners whose patent property has been taken and used by infringing states: “[U]pon finding for the claimant the court shall award the claimant damages *adequate to compensate for the infringement . . . for the use made of the invention by the infringer.*” 35 U.S.C. § 284 (emphasis added). It is hard to understand how Florida Prepaid can claim that this measure of damages is “grossly incongruent” to the end of compensating patent owners for the states’ use of their property. Payment of damages sufficient to compensate the patent owner for the value of the improper use of the patented property satisfies the states’ constitutional obligation under the Fourteenth Amendment to pay just compensation to patent owners whose right to exclude is violated by the states.

Florida Prepaid erroneously asserts that the Patent Remedy Act

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of property for purposes of the Fourteenth Amendment. *Daniels*, however, only applies to cases where “a *negligent* act of an official cause[s] unintended loss of . . . property. . . .” To the extent patent infringement can be characterized as a tort, it is an intentional tort akin to the intentional tort of trespass — not an unintentional tort sounding in negligence. *Heath v. A.B. Dick Co.*, 253 F.2d 30, 34 (7th Cir. 1958) (“Infringement of a patent is a tort or wrong; it is a trespass on the property rights of the patentee, or at least it is analogous to a trespass.”) The *Daniels* line of cases also only applies to “tortious loss of . . . property as a result of a random and unauthorized act by a state employee . . . not a result of some established state procedure.” *Logan*, 455 U.S. at 435-36 (citation omitted). *Daniels* applies to random, unauthorized, negligent acts of state officials, not to intentional state action like patent infringement. Florida Prepaid’s contention that patent infringement is not a constitutionally-cognizable deprivation of property flies in the face of a century of this Court’s precedent. *Supra*, pp. 19-20.

makes states that “unknowingly infringe a patent” liable for damages. Patentees are required to put the public — including states — on notice of their patent rights before they can collect damages. In order to collect damages, a patent owner must mark the patented product or otherwise notify an alleged infringer of the patentee’s patent rights:

In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.

35 U.S.C. § 287(a). *See also Bonito Boats*, 489 U.S. at 162 (“availability of damages in an infringement action is made contingent upon affixing a notice of patent to the protected article”).

Florida Prepaid complains that:

[t]he Patent Remedy Act may be invoked to attack state conduct in federal court whenever a patent owner feels, correctly or incorrectly, that his patent rights have been impinged.

Brief for Petitioner, p. 33. This argument applies to any lawsuit — not just to actions under the Patent Remedy Act. Any time Congress properly exercises its constitutional authority and enacts legislation abrogating the states’ immunity, there is some chance that a plaintiff may “incorrectly” believe that her “rights have been impinged.” Florida Prepaid’s argument proves too much — Congress could never abrogate the states’ immunity to enforce rights guaranteed by the Fourteenth Amendment because a person may “incorrectly” believe that his rights have been violated. Counsel for plaintiffs asserting actions under the Patent Remedy Act, of course, must comply with Rule 11, Fed. R. Civ. P. and certify that there is a good faith belief in allegations of infringement asserted in the pleadings. The correctness of a patentee’s belief that a state is infringing is a question for the courts — not the states — to decide.

Throughout its brief, Florida Prepaid argues that the problem of state-sponsored patent infringement is *de minimus* and therefore not worthy of an exercise of Congress’ Fourteenth Amendment powers. When it seeks to avoid the consequences of state-sponsored patent

infringement, however, Florida Prepaid argues to the contrary, predicting massive increases in infringement suits against the states and asserting that

[t]here is an unlimited range of state conduct, from ordinary ministerial acts to the providing of core governmental services like education, that may expose a state to claims of . . . patent infringement.

Brief for Petitioner, p. 33 n.17. Florida Prepaid cannot have it both ways. In any event, there is not “an unlimited range of state conduct” that falls within the scope of the Patent Remedy Act. Because only *infringing* conduct falls within the scope of the statute, the number and invasiveness of infringement actions against the states is largely in the hands of the states themselves. States that respect patent property rights will not be sued for infringement.

Florida Prepaid asserts that:

A chilling effect on state activities will inevitably result should this Court uphold the Patent Remedy Act because states will reasonably be hesitant to engage in conduct for the benefit of the public that may directly and tangentially impact patent rights. . . .

Brief for Petitioner, p. 36. Florida Prepaid’s assertion sounds more like an endorsement of the Patent Remedy Act than a criticism. If the Patent Remedy Act causes “a chilling effect” on *infringing* state activities, the statute should be deemed a success. A state should be “hesitant” before it tramples on the rights of citizens. The fact that Florida Prepaid acknowledges the Patent Remedy Act will deter unlicensed and uncompensated state-sponsored deprivation of patent property is a testament to Congress’ ability to enact legislation enforcing the guarantees of the Fourteenth Amendment and, therefore, to the constitutionality of the statute.

Florida Prepaid complains that the Patent Remedy Act provides for injunctions to prevent infringing states from committing further acts of infringement. This argument is contradicted by Florida Prepaid’s recommendation that an appropriate remedy would be for CSB to seek an injunction under *Ex parte Young*, 209 U.S. 123 (1908). Moreover, Florida Prepaid never explains what right the states have to take a patent owner’s patent property in the first place, even with



due process and just compensation. This issue was squarely framed by seven other states in an amicus brief submitted to the Federal Circuit:

Even if we accept that the Patent Act creates a property right deserving of Fourteenth Amendment protection, it is not clear that the provisions of the Patent Act can be appropriate legislation under that Amendment *in the face of a state's unquestioned right to take property for the public good and in the face of the Eleventh Amendment.*

July 11, 1997 Brief of *Amici Curiae* Texas et al., p. 13 (emphasis added). CSB questions the states' right to take CSB's patent property. Neither the states, nor Florida Prepaid, cite any authority to support the extraordinary proposition that a state has an "unquestioned right" to take the property of *a citizen of another state* when the property is not located within the boundaries of the taking state. Under the states' view, the State of Florida would have an "unquestioned right" to go to CSB's headquarters in New Jersey to condemn and take CSB's real property, together with CSB's patent property. This cannot be. The states, unlike the United States, do not have eminent domain power over property owned by citizens in other states. If the federal government gave a person a seventeen-year lease to a federal building in Washington, D.C., neither Texas, nor any other state, has any power or authority to condemn and use that property even with due process and just compensation. Infringement of United States patents does not fall within the sovereign power of the states.<sup>13</sup>

13. The Court held in *Bonito Boats*, 489 U.S. at 152, that the State of Florida could not offer patent-like protection to unpatented articles because "state regulation must yield to the extent that it clashes with the balance struck by Congress in our patent laws." That balance is "a carefully crafted bargain that encourages both the creation and public disclosure of new and useful advances in technology, *in return for an exclusive monopoly* for a limited period of time." *Pfaff v. Wells Electronics, Inc.*, \_\_ U.S. \_\_, 119 S. Ct. 304, 310 (1998) (emphasis added). A state's taking of a citizen's patent property "clashes with the balance struck by Congress" as much or more than a state's making patent property. Allowing states the unfettered right to take patent property would frustrate exactly the same constitutional aims the Court upheld in *Bonito Boats*. If a state may not increase the scope of patent protection, it certainly may not decrease the scope of that protection.

Florida Prepaid argues that "[e]xposing states to . . . treble damages, and attorney's fees in suits brought in federal court is both unduly intrusive and harmful to states." Brief for Petitioner, p. 32. Treble damages and attorney fees can be awarded, however, only in "exceptional" circumstances. 35 U.S.C. § 285. Willful and deliberate infringement is an example of circumstances that may be deemed "exceptional." Florida Prepaid admitted in its Petition for Writ of Certiorari that attorney's fees are "remedies . . . normally applied . . . when exceptionally strong deterrence is required. . . ." Brief for Petitioner, p. 32. The same rationale applies to the states. States that are inclined to willfully and deliberately violate the constitutional rights of patent owners should face "exceptionally strong deterrence." Congress specifically addressed the question of the propriety of subjecting states that willfully infringe to treble damages:

The Thurmond-Grassley amendment also contained language which would have eliminated recovery of treble damages against the States. The standard for recovering treble damages in a patent suit is very difficult to attain. A plaintiff must prove that the infringement was willful under 35 U.S.C. § 284. . . .

The fact that treble damages are awarded in only the most flagrant cases is justification for the retention of the remedy. The standard currently utilized protects defendants, including States, from undue hardship, extending liability only when the court finds the conduct to be so offensive that treble recovery is justified. There is no reason to extend liability to the States, but to then limit it in instances where the States' improprieties are particularly egregious.

S. Rep., 10-11, 3096-97 (App. 24a-25a).

This Court has acknowledged that legislation providing for an award of attorney's fees can be an appropriate method of enforcing the guarantees of the Fourteenth Amendment:

Moreover, even if the Eleventh Amendment would otherwise present a barrier to an award of fees against a State, Congress was clearly acting within its power under § 5 of the Fourteenth Amendment in removing that barrier.

Under § 5 Congress may pass any legislation that is appropriate to enforce the guarantees of the Fourteenth Amendment. *A statute awarding attorney's fees to a person who prevails on a Fourteenth Amendment claim falls within the category of "appropriate" legislation . . .* We agree with the courts below that Congress was acting within its enforcement power in allowing the award of fees in a case in which the plaintiff prevails on a wholly statutory, non-civil-rights claim pendent to a substantial constitutional claim. . . .

*Maher*, 448 U.S. at 321 (emphasis added). See also *Fitzpatrick*, 427 U.S. at 456-57.

Florida Prepaid complains that under the Patent Remedy Act: "each state is also subject to being sued in every other state in the country, as illustrated here where a Florida state agency has been forced to defend itself in New Jersey." Brief for Petitioner, p. 38. Florida Prepaid fails to explain that the reason it "has been forced to defend itself in New Jersey" is because it is doing business in New Jersey in competition with CSB. Florida Prepaid entered into contracts with New Jersey residents pursuant to which Florida Prepaid agreed to administer its prepaid college tuition program using methods and apparatus described and claimed in CSB's '055 patent. Florida Prepaid never has alleged that the District Court in New Jersey lacks personal jurisdiction over Florida Prepaid. Florida Prepaid's argument to the contrary notwithstanding, states may be sued in federal courts located in other states only when they, like Florida Prepaid, are doing business in, or have contacts with, those other states. Florida Prepaid's argument comes with ill-grace from an infringer that has elected to profit — to the detriment of a New Jersey-based patent owner — from the marketing and sale of its infringing program and contracts outside the boundaries of Florida.

### C. A PATENTEE NEED NOT EXHAUST STATE REMEDIES BEFORE INVOKING THE PROTECTION OF THE PATENT REMEDY ACT

Florida Prepaid contends that: "patentees should be required to exhaust the available state remedies before any due process violation can be found." Brief for Petitioner, p. 29. Florida Prepaid confuses

two factually different situations governed by different precedent. Exhaustion of state remedies is required *only in situations where Congress has not enacted a federal remedy to enforce rights enumerated in the Fourteenth Amendment*. When Congress has created legislation — like the Patent Remedy Act — to enforce the guarantees of the Fourteenth Amendment, there is no requirement that avenues of relief that may be available in the state be exhausted. In *Monroe v. Pape*, 365 U.S. 167, 183 (1961), the Court held:

It is no answer that the State has a law which if enforced would give relief. The federal remedy is supplementary to the state remedy, and the latter need not be first sought and refused before the federal one is invoked. Hence the fact that Illinois by its constitution and laws outlaws unreasonable searches and seizures is no barrier to the present suit in the federal court.<sup>14</sup>

See also *Patsy v. Board of Regents of Florida*, 457 U.S. 496, 506-07 (1982).

The cases that Florida Prepaid cites in support of its argument, such as *Williamson County Regional Planning Comm'n v. Hamilton Bank of Johnson City*, 473 U.S. 172, 194-95 (1985), are inapposite to the question of the circumstances under which an individual may invoke a federal remedy enacted to enforce the Fourteenth Amendment. The holding in *Williamson* that the respondent's "taking claim [was] not yet ripe [because] respondent [had] not [sought] compensation through the procedures the State has provided for doing

14. Florida Prepaid attempts to distinguish *Monroe* by artificially limiting the Court's holding in that case. Florida Prepaid asserts that *Monroe* really stands for the proposition that a person can invoke a federal remedy only when the state already has committed a constitutional violation. This limited reading of *Monroe*, however, finds no support in the language or rationale of the decision. If Florida Prepaid is right, Congress could not enact legislation to deter constitutional violations because a person could never avail themselves of the benefits of the legislation until after a constitutional violation occurs. Congress plainly is authorized to enact legislation to insure that constitutional violations do not occur, and to enhance the likelihood that states respect Fourteenth Amendment rights. Congress' ability to enact remedial legislation to cure problems caused by inadequate state law remedies and procedures would be eviscerated if individuals were forced to first exhaust those inadequate remedies and procedures. This is the holding of *Monroe*.



so" only applies to situations where Congress has not enacted remedial legislation. 473 U.S. at 194 (citation omitted). CSB did not assert a takings claim or a due process violation against Florida Prepaid — it asserted a patent infringement claim under the Patent Remedy Act. Congress enacted the Patent Remedy Act because it believed that state remedies and procedures were not adequate to insure the vindication of patentees' Fourteenth Amendment rights. It would make no sense if patentees were required to avail themselves of state remedies prior to invoking federal procedures and remedies crafted in response and designed to avoid the constitutional infirmities of state procedures and remedies. *Monroe*, not *Williamson*, controls the question whether a patentee need exhaust state law remedies before invoking the protection of the Patent Remedy Act. *Monroe*'s answer to that question plainly is no.

**D. EX PARTE YOUNG DOES NOT PROVIDE PATENT OWNERS WITH DUE PROCESS OR JUST COMPENSATION WHEN A STATE TAKES A PATENTEE'S PROPERTY**

Florida Prepaid contends that:

CSB enjoyed, and still enjoys, several options other than suing Florida Prepaid in New Jersey district court for patent infringement, but it has resolved to ignore them altogether. For instance, CSB *arguably* can pursue an action in federal court for injunctive relief under the authority of *Ex parte Young*, 209 U.S. 123 (1908). . . . Such relief could ensure Florida's compliance with federal law while preserving CSB's patent property.

Brief for Petitioner, p. 27 (citation omitted) (emphasis added).

The relief that may be available to patent owners under *Ex parte Young* is insufficient to enforce the guarantees of the Fourteenth Amendment. The remedy available to patent owners by way of an *Ex parte Young* action — the possibility of a prospective injunction after a long and expensive legal battle with a state — offers no compensation to the owner of a patent deprived of his property by a state, and serves as no deterrent to the states. It is not surprising that the states would prefer to use patent property for years, with no risk of being held accountable to compensate patent owners whose

property they have taken. No compensation for a past taking is hardly "just" and more process before (or after) such a taking plainly is "due" under the express guarantees of § 1 of the Fourteenth Amendment.

**E. FLORIDA PREPAID WAIVED ANY CLAIM OF ELEVENTH AMENDMENT IMMUNITY**

The Federal Circuit noted that it did not reach CSB's arguments that Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had: (1) by its conduct in this action; and (2) under the constructive waiver doctrine of *Parden*. Pet. App. A at 1a-2a.

For the reasons and under the authorities set forth at pages 41-44 of the September 24, 1997 Brief for Plaintiff-Appellee that CSB filed in the Federal Circuit, CSB submits that Florida Prepaid waived any claim of Eleventh Amendment immunity it may have had by appearing in this action, by moving under 28 U.S.C. § 1404(a) to transfer this action from one district court to another of its choosing "where it might have been brought," and by affirmatively asserting a counterclaim for a judgment declaring CSB's '055 patent invalid, not infringed and unenforceable.

For the reasons and under the authorities set forth at pages 35-41 of the September 24, 1997 Brief for Plaintiff-Appellee that CSB filed in the Federal Circuit, CSB submits that: (1) *Parden* was not overruled by implication by the Court's decision in *Seminole Tribe*; (2) *Parden* applies in this case; and (3) under *Parden*, Florida Prepaid waived any claim of Eleventh Amendment immunity by continuing to market and administer a prepaid college tuition program that infringes CSB's '055 patent after Congress enacted the Patent Remedy Act in 1992. CSB's arguments about the continuing vitality of *Parden* and the reasons why *Parden* applies to Florida Prepaid's commercial activities in connection with its prepaid college tuition program are set forth at pages 36-42 of the February 22, 1999 Brief for Petitioner that CSB submitted to this Court in Case No. 98-149 on Writ of Certiorari to the United States Court of Appeals for the Third Circuit. The arguments and authorities advanced in CSB's Brief for Petitioner in Case No. 98-149 apply with equal force here.

**CONCLUSION**

The Federal Circuit's decision should be affirmed. This case should be remanded to the United States District Court for the District of New Jersey for trial of CSB's action for patent infringement against Florida Prepaid.

Respectfully submitted,

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**APPENDIX**

**APPENDIX A — ADDITIONAL CONSTITUTIONAL  
AND STATUTORY PROVISIONS INVOLVED**

Article I, Section 8, Clause 5 provides that:

The Congress shall have power . . .

\* \* \*

[t]o coin Money, regulate the Value thereof, and  
of foreign Coin, and fix the Standard of Weights  
and Measures. . . .

The Fifth Amendment of the United States Constitution  
provides, in pertinent part:

[N]or shall private property be taken for public  
use, without just compensation.

28 U.S.C. § 1338(a) provides that:

The district courts shall have original  
jurisdiction of any civil action arising under any  
Act of Congress relating to patents, plant variety  
protection, copyrights and trade-marks. Such  
jurisdiction shall be exclusive of the courts of the  
states in patent, plant variety protection and  
copyright cases.

28 U.S.C. § 1404(a) provides that:

For the convenience of parties and witnesses,  
in the interest of justice, a district court may  
transfer any civil action to any other district or  
division where it might have been brought.



*Appendix A*

28 U.S.C. § 1498 provides, in pertinent part, that:

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. Reasonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States. Notwithstanding the preceding sentences, unless the action has been pending for more than 10 years from the time of filing to the time that the owner applies for such costs and fees, reasonable and entire compensation shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation

*Appendix A*

for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

28 U.S.C. § 2201 provides, in pertinent part:

(a) In a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any

*Appendix A*

such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2202 provides that:

Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.

35 U.S.C. § 284 provides that:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

*Appendix A*

35 U.S.C. § 285 provides that:

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

35 U.S.C. § 287(a) provides that:

(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word patent or the abbreviation pat., together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was noticed of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.